

**R&A TELECOMMUNICATION GROUP BERHAD (645677-D)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

	----- Individual Quarter -----		----- Cumulative Quarter -----	
	Current year quarter 30 June 2014	Preceding year corresponding quarter 30 June 2013	Current year to date 30 June 2014	Preceding year corresponding period 30 June 2013
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	14,219	7,653	18,788	11,845
Cost of sales	(12,796)	(2,621)	(16,082)	(5,550)
Operating expenses	<u>(2,401)</u>	<u>(3,552)</u>	<u>(5,056)</u>	<u>(7,315)</u>
<b>(Loss)/ Earnings before amortisation, depreciation and finance cost</b>	(978)	1,480	(2,350)	(1,020)
Depreciation and amortisation	(809)	(742)	(1,587)	(1,497)
Finance cost	(829)	(110)	(1,369)	(204)
Other income	<u>26</u>	<u>302</u>	<u>118</u>	<u>553</u>
<b>(Loss)/ Profit before tax</b>	(2,590)	930	(5,188)	(2,168)
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>(Loss)/ Profit after tax</b>	(2,590)	930	(5,188)	(2,168)
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/ profit	<u><u>(2,590)</u></u>	<u><u>930</u></u>	<u><u>(5,188)</u></u>	<u><u>(2,168)</u></u>
<b>(Loss)/ Profit attributable to :</b>				
Equity holders of the Company	<u><u>(2,590)</u></u>	<u><u>930</u></u>	<u><u>(5,188)</u></u>	<u><u>(2,168)</u></u>
<b>Total comprehensive (loss)/ income attributable to :</b>				
Equity holders of the Company	<u><u>(2,590)</u></u>	<u><u>930</u></u>	<u><u>(5,188)</u></u>	<u><u>(2,168)</u></u>
(Loss)/ Earnings per share (sen):-				
a) Basic	(0.27)	0.11	(0.54)	(0.25)

Notes :

- (i) Basic earnings per share for the quarter and financial period is calculated based on the net profit divided by the weighted average number of ordinary shares in issue for the quarter and financial period respectively.
- (ii) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended ("FYE") 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

**R&A TELECOMMUNICATION GROUP BERHAD (645677-D)****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014**

	As at 30 June 2014 (Unaudited) RM'000	As at 31 December 2013 (Audited) RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	15,247	16,198
Investment property	506	513
Development expenditure	3,865	4,068
Goodwill on consolidation	49,724	49,724
Deferred tax assets	2,097	2,097
	<u>71,439</u>	<u>72,600</u>
<b>Current assets</b>		
Inventories	1,044	1,063
Amount due from customer	2,570	9,632
Accrued billings	6,427	9,966
Work in progress	5,368	3,014
Trade receivables	25,941	21,754
Other receivables	6,280	3,171
Fixed deposits with licensed banks	4,777	5,032
Cash and bank balances	395	255
	<u>52,802</u>	<u>53,887</u>
<b>Total Assets</b>	<u>124,241</u>	<u>126,487</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	48,343	87,897
Reserves	42,666	8,220
Accumulated losses	(4,148)	(8,203)
<b>Shareholders' equity</b>	<u>86,861</u>	<u>87,914</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	228	228
Finance lease liabilities	360	701
	<u>588</u>	<u>929</u>
<b>Current liabilities</b>		
Trade payables	1,171	2,990
Other payables	3,177	3,896
Amount owing to a director	-	188
Bank borrowings	30,736	27,633
Finance lease liabilities	718	1,013
Tax payable	990	1,924
	<u>36,792</u>	<u>37,644</u>
<b>Total liabilities</b>	37,380	38,573
<b>Total equity and liabilities</b>	<u>124,241</u>	<u>126,487</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	<u>0.09</u>	<u>0.10</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the FYE 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

**R&A TELECOMMUNICATION GROUP BERHAD (645677-D)****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

	Current year to date 30 June 2014 RM'000	Preceding year corresponding period 30 June 2013 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss Before Taxation	(5,188)	(2,168)
Adjustments for Non-cash items	<u>2,935</u>	<u>1,180</u>
<b>Operating loss before working capital changes</b>	(2,253)	(988)
Changes in working capital		
Inventories	18	32
Contract customers	8,247	(8,257)
Trade and other receivables	(7,296)	8,915
Trade and other payables	<u>(2,725)</u>	<u>28</u>
<b>Cash used in operations</b>	(4,009)	(270)
Interest paid	(1,369)	(204)
Tax paid	<u>(933)</u>	<u>(313)</u>
<b>Net cash used in operating activities</b>	<u>(6,311)</u>	<u>(787)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	-	324
Purchase of property, plant and equipment	(425)	(719)
Interest received	<u>20</u>	<u>44</u>
<b>Net cash used in investing activities</b>	<u>(405)</u>	<u>(351)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(4,333)	(8,869)
Drawdown from borrowings	4,779	10,039
Payment of finance lease liabilities	(636)	(843)
Repayment of term loan	-	(439)
Payment of private placement	(260)	-
Private placement from issuance of shares	<u>4,395</u>	<u>-</u>
<b>Net cash generated from/ (used in) financing activities</b>	<u>3,945</u>	<u>(112)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(2,771)	(1,250)
<b>Cash and Cash Equivalents at beginning of the period</b>	(14,290)	(4,180)
<b>Cash and Cash Equivalents at end of the period</b>	<u>(17,061)</u>	<u>(5,430)</u>
Represented by :-		
Cash and bank balances	5,172	4,435
Bank overdrafts	<u>(22,233)</u>	<u>(9,865)</u>
	<u>(17,061)</u>	<u>(5,430)</u>
Pledged as securities for banking facilities granted to a subsidiary :-		
Fixed deposits with licensed banks	<u>4,777</u>	<u>4,136</u>
	<u>(21,838)</u>	<u>(9,566)</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the FYE 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

**R&A TELECOMMUNICATION GROUP BERHAD (645677-D)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE SECOND QUARTER ENDED 30 JUNE 2014**

	<----- Non-distributable ----->				<----Distributable---->	
	Share capital RM '000	Share premium RM '000	Revaluation reserve RM '000	Other reserve RM '000	Accumulated losses RM '000	<b>Total Equity RM '000</b>
Balance as at 1 January 2014	87,897	3,898	4,322	-	(8,203)	<b>87,914</b>
Reduction of share capital	(43,949)	-	-	34,706	9,243	-
Private placement from issuance of shares	4,395	-	-	-	-	<b>4,395</b>
Listing expenses for the proposed reduction of share capital	-	(260)	-	-	-	<b>(260)</b>
Loss for the financial year	-	-	-	-	(5,188)	<b>(5,188)</b>
<b>Balance as at 30 June 2014</b>	<b>48,343</b>	<b>3,638</b>	<b>4,322</b>	<b>34,706</b>	<b>(4,148)</b>	<b>86,861</b>
<b>As at preceding year corresponding quarter 30 June 2013</b>						
Balance as at 1 January 2013	87,897	3,898	-	-	(4,948)	<b>86,847</b>
Loss for the financial year	-	-	-	-	(2,168)	<b>(2,168)</b>
<b>Balance as at 30 June 2013</b>	<b>87,897</b>	<b>3,898</b>	<b>-</b>	<b>-</b>	<b>(7,116)</b>	<b>84,679</b>

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the FYE 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

## **R&A TELECOMMUNICATION GROUP BERHAD (645677-D)**

### **NOTES TO THE QUARTERLY REPORT**

#### **PART A: EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING**

##### **A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements outlined in the Malaysian Financial Reporting Standards ("MFRS") No. 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements.

The condensed consolidated interim financial report should be read in conjunction with the audited financial statements of the Group for the Financial Year Ended (“FYE”) 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

##### **A2. Significant accounting policies**

The significant accounting policies and methods of computation adopted by the Group in this quarterly financial statement are consistent with those of the annual financial statements for the year ended 31 December 2013.

The Group has adopted all the new and revised MFRSs and IC Interpretations that became mandatory for the current reporting period. The adoption of these new and revised MFRSs and IC Interpretations does not impact in significant changes in the accounting policies of the Group.

##### **A3. Qualification on the Auditors’ Report of preceding annual financial statements**

There was no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2013.

##### **A4. Seasonal or cyclical factors**

The business operations within the industry are not affected by seasonal and cyclical factors.

**A5. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial quarter under review and financial year-to-date.

**A6. Changes in estimates of amounts reported**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the current financial quarter under review and financial year-to-date.

**A7. Issuance or repayment of debt and equity securities**

There was no issuance or repayment of debt or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial quarter under review.

**A8. Dividend paid**

There was no dividend paid nor declared for the current financial quarter under review.

**A9. Segmental information**

The Group is organised into the following operating segments:-

- a. Civil, mechanical and electrical works (“CME”)**
- b. Telecommunication equipment installation (“TI”)**
- c. In-building system (“IBS”)**

**A9. Segmental information (cont'd)**

<b>Quarter Ended 30 June 2014</b>	<b>CME RM'000</b>	<b>TI RM'000</b>	<b>IBS RM'000</b>	<b>Elimi- nations RM'000</b>	<b>Consoli- dated RM'000</b>
Revenue from external customers	12,803	1,482	32	(98)	14,219
Cost of sales	(12,160)	(711)	(23)	98	(12,796)
<b>Gross Profit</b>	<b>643</b>	<b>771</b>	<b>9</b>	<b>-</b>	<b>1,423</b>
Loss before taxation					(2,590)
Income tax expenses					-
<b>Loss after tax</b>					(2,590)
Other comprehensive income					-
<b>Total Comprehensive Loss</b>					(2,590)

<b>Cumulative Year-to-Date Ended 30 June 2014</b>	<b>CME RM'000</b>	<b>TI RM'000</b>	<b>IBS RM'000</b>	<b>Elimi- nations RM'000</b>	<b>Consoli- dated RM'000</b>
Revenue from external customers	15,918	3,017	119	(266)	18,788
Cost of sales	(14,424)	(1,809)	(115)	266	(16,082)
<b>Gross Profit</b>	<b>1,494</b>	<b>1,208</b>	<b>4</b>	<b>-</b>	<b>2,706</b>
Loss before taxation					(5,188)
Income tax expenses					-
<b>Loss after tax</b>					(5,188)
Other comprehensive income					-
<b>Total Comprehensive Loss</b>					(5,188)

**A9. Segmental information (cont'd)**

The Group's segmental information by geographical location is not shown as the activities of the Group are in Malaysia.

**A10. Valuation of property, plant and equipment**

The Company has not carried out valuation on its property, plant and equipment in current financial quarter under review.

**A11. Capital commitments**

There are no material capital commitments in respect of property, plant and equipment as at 30 June 2014.

**A12. Capital expenditure**

The major additions and disposals of the property, plant and equipment during the current financial quarter under review and financial year-to-date were as follows:-

	<b>Current Quarter Ended 30 June 2014 RM'000</b>	<b>Cumulative Year-to-Date 30 June 2014 RM'000</b>
Property, plant & equipment: Additions	385	425

**A13. Changes in the composition of the Group**

There were no changes in the composition of the Group for the current financial quarter under review.

**A14. Contingent liabilities and contingent assets**

Save as disclosed below, the Group does not have any others contingent assets or liabilities as at 30 June 2014.

	<b>RM'000</b>
<u>Contingent liabilities :</u>	
Corporate guarantee granted to subsidiary company	36,541
Litigation for TNB	568

**A15. Subsequent material events**

There were no material events subsequent to the end of the current quarter under review.



**A16. Significant related party transactions**

There were no related party transactions during the current financial quarter under review.

## **PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

### **B1. Review of the performance of the Group**

For the current financial quarter ended 30 June 2014, the Group recorded revenue of RM14.22 million and loss before tax of RM2.59 million.

When compared to the preceding year corresponding financial quarter, the Group recorded an increase of RM6.57 million in revenue and increase in loss before tax of RM3.52 million. The increase in loss before tax in current financial quarter attributed to the lower gross profit margin of the Group.

For the current financial quarter, the Group had assigned more operational resources such as technical staff and equipments to its civil, mechanical and electrical works (“CME”) segment to complete several large sites. This attributed to the substantial increase in revenue generated from CME.

#### Civil, mechanical and electrical works segment (“CME”)

Revenue derived from the CME segment for the current financial quarter ended 30 June 2014 and financial year to date were RM12.71 million and RM15.65 million respectively after elimination of intercompany transactions. This segment is the main contributor for the current financial quarter as it comprised 89.4% of the total revenue. As compared to preceding financial quarter, CME revenue increased by RM9.76 million due to more CME’s works being requested and commissioned by customers.

#### Telecommunication equipment installation segment (“TI”)

Revenue derived from the TI segment for the current financial quarter ended 30 June 2014 and financial year to date were RM1.48 million and RM3.02 million respectively. The total revenue for this segment decreased by RM0.05 million due to lower number of TI related sites being completed and billed during the current financial quarter as compared to the preceding financial quarter.

#### In-building system (“IBS”)

Revenue derived from the IBS segment for the current financial quarter ended 30 June 2014 and financial year to date were RM0.03 million and RM0.12 million respectively. The total revenue for this segment decreased by RM0.06 million compared to the previous financial quarter due to the lower number of IBS being commissioned by customers.

## **B2. Comparison to the results of the preceding quarter**

	<b>Current Quarter 30 June 2014 RM'000</b>	<b>Preceding Quarter 31 March 2014 RM'000</b>
Revenue	14,219	4,569
Loss before tax	(2,590)	(2,598)

For the current financial quarter ended 30 June 2014, the Group recorded revenue of RM14.22 million as compared to RM4.57 million which recorded in the preceding financial quarter ended 31 March 2014. The increase in revenue recorded during the current financial quarter are mainly due to the larger portion of sites progress completed and billed in the current financial quarter. The revenue recorded for the current financial quarter was insufficient to cover the fixed and variable overheads of the Group, which resulted in the loss before tax of RM2.59 million.

## **B3. Prospects for 2014**

R&A will be expecting an increase in the physical rollout of Long-Term Evolution (LTE) technology by the Malaysia Cellular Operators. This means that the potential for new business is very promising and we will continue to bid for jobs with the local operators and equipment vendors.

In addition to project demand from commercial cellular operators, R&A, as a telecommunication engineering service provider, expects to benefit from the rollout of network and application services in 2014 by Malaysia Communications and Multimedia Commission (MCMC) using the Universal Service Provision (USP) fund which has an allocated budget of RM2 billion.

We are also looking to further develop our overseas portfolio. We are exploring entrance into Indonesia and expects Brunei via the Outside Plant Project (fibre cable laying project) to continue contributing to our revenues. Lastly, we are actively looking at diversifying from the current project based business model by participating in projects with recurring revenues such as maintenance and concession based businesses.

## **B4. Profit forecast and profit estimate**

The Group has not issued any profit forecast or profit estimate for the current financial quarter under review or in any public documents.

**B5. Loss before tax**

	<b>Current Quarter 30 June 2014 RM'000</b>	<b>Cumulative Year-to-date 30 June 2014 RM'000</b>
Profit before tax is arrived at after charging / (crediting):		
- Depreciation and amortisation	(809)	(1,587)
- Foreign exchange loss	(1)	(13)
- Interest income	19	20
- Interest expenses	(829)	(1,369)

Other disclosure items pursuant to Rule 16 of Appendix 9B of the ACE Market Listing Requirements of Bursa Securities are not applicable

**B6. Taxation**

	<b>Current Quarter Ended 30 June 2014 RM'000</b>	<b>Cumulative Year-to-Date 30 June 2014 RM'000</b>
Current tax	-	-
	-	-

The effective tax rate of the Group for the current quarter and cumulative quarter is NIL due to the capital allowance claimable against statutory income of the Group.

**B7. Status of corporate proposals**

Save as disclosed below, there were corporate proposals announced but not yet completed.

On 16 April 2014, the Company proposed to undertake the following proposals:

- (i) Proposed renounceable rights issue of up to 1,054,758,600 new ordinary shares of RM0.05 each in R&A (“Rights Shares”) together with up to 527,379,300 free new detachable warrants (“New Warrants”) on the basis of two (2) rights shares together with one (1) New Warrant for every two (2) existing ordinary shares of RM0.05 each held by the entitled shareholders of R&A on an entitlement date to be determined later (“Proposed Rights Issues of Shares with New Warrants”);

## **B.7 Status of corporate proposals (cont'd)**

- (ii) Proposed renounceable rights issue of up to RM26,368,965 nominal value of five (5)-year, 1%, Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) at 100% of the nominal value of RM0.025 each on the basis of one (1) RM0.025 nominal value of ICULS for every one (1) existing ordinary share of RM0.05 each held by the entitled shareholdings of R&A on the same entitlement date as the Proposed Rights Issue of Shares with New Warrants (“Proposed Rights Issues of ICULS”);

Note: The Securities Commission Malaysia had vide its letter dated 31 July 2014 approved the proposed issuance of the ICULS pursuant to the Proposed Rights Issue of ICULS.

- (iii) Proposed increase in the authorised share capital of R&A; and
- (iv) Proposed amendments to the Memorandum and Articles of Association of R&A.

## **B8. Status of utilisation of proceeds**

As at the date of this report, the Company has fully utilised the proceeds raised from all its fund raising activities.

## **B9. Realised and unrealised profits**

The breakdown of retained profits of the Group and the Company for the financial quarter ended 30 June 2014 and preceding year corresponding quarter ended 30 June 2013, is as follows :-

	<b>Group Quarter Ended 30 June 2014 RM'000</b>	<b>Group Quarter Ended 30 June 2013 RM'000</b>
Total retained profits of the Group:		
- Realised	17,978	14,938
- Unrealised (in respect of deferred tax recognised in the income statement)	-	-
	<hr/> 17,978	<hr/> 14,938
Less : Consolidation adjustments	(22,126)	(22,054)
Total Group accumulated losses as per consolidated accounts	<hr/> <hr/> (4,148)	<hr/> <hr/> (7,116)

**B.9. Realised and unrealised profits (cont'd)**

	<b>Company Quarter Ended 30 June 2014 RM'000</b>	<b>Company Quarter Ended 30 June 2013 RM'000</b>
Total accumulated losses of the Company :		
- Realised	(276)	(6,695)
- Unrealised (in respect of deferred tax recognised in the income statement)	-	-
Total Company's accumulated losses as per accounts	(276)	(6,695)

**B10. Group borrowings and debt securities**

The Group's borrowings as at 30 June 2014 are as follows:-

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
<b><u>Secured</u></b>			
Hire Purchases	718	360	1,078
Bank Over Drafts/ Project Revolving Loans	22,233	-	22,233
Banker's Acceptance	8,503	-	8,503
	31,454	360	31,814

**B11. Material litigation**

Save as disclosed below, to the best knowledge of the Board, R&A and/or its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and our Directors have no knowledge of any proceeding pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially affect the position and business of the Group:-

(a) By a letter of demand dated 4 August 2014, received by R&A Telecommunication Sdn Bhd ("**RASB**"), the sum of RM346,148 being the outstanding Contributions for the months of January 2014 to March 2014. RASB had, through its solicitors via a letter dated 13 August 2014 proposed a settlement to the EPF Board to consider a settlement by way of three (3) monthly instalments to be paid via post-dated cheques to be dated 30 January 2015, 28 February 2015 and 31 March 2015 respectively. As at the date of this report, RASB is still awaiting for the approval from the EPF Board in respect of the aforesaid proposal.

**B11. Material litigation (cont'd)**

(b) By a letter of demand (“**Demand**”) dated 9 May 2014, Tenaga Nasional Berhad (“**TNB**”) had via its solicitors demanded from RASB the sum of RM568,077.30 being the cost of repair in respect of damage to 33kV electric cables from PMU Air Terjun to PPU Batu Ferringhi and from PPU Tanjung Bungah to PPU Pulau Tikus allegedly caused by RASB or its employees or its agents when carrying out their construction works. RASB had, via letter dated 14 March 2014 to TNB and followed by a reminder letter dated 16 May 2014 to TNB’s solicitors requested for further information with regards to the accident in order for RASB to conduct an internal investigation. As at the date of this report, RASB has yet to receive the information from TNB and its solicitors. The Board is of the view that there is no material operational impact arising from the Demand, whilst the financial impact resulting from the Demand would be the expected losses of RM568,077.30 pursuant to the Demand.

**B12. Dividends**

No interim dividends have been declared during the current financial quarter under review.

**B13. Earnings per share**

## (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares in issue for the financial period.

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
(Loss)/ Profit attributable to the equity holders of the Company (RM'000)	(2,590)	930	(5,188)	(2,168)
Weighted average number of shares in issue ('000)	966,862	878,966	966,862	878,966
Basic (loss)/ profit per share (sen)	(0.27)	0.11	(0.54)	(0.25)

**B13. Earnings per share (cont'd)**

(b) Diluted earnings per share

Not applicable